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Report of the Secretary-General pursuant to paragraph 5 of resolution 1330 (2000)

I. Introduction

1. The present report is submitted pursuant to paragraph 5 of Security Council resolution 1330 (2000) of 5 December 2000, in which I was requested to provide a comprehensive report to the Council 90 days after entry into force of that resolution on its implementation. It also describes developments in the implementation of the programme pursuant to resolution 986 (1995) since the period covered by my previous report, which was submitted to the Council on 29 November 2000 (S/2000/1132). Unless stated otherwise, the cut-off date for the data contained in the present report is 31 January 2001.

2. The current 180-day phase (phase IX) became effective as from 6 December 2000. The Government of Iraq, however, formally submitted the distribution plan for my consideration and approval on 4 February 2001, almost two months into the current phase. The plan was approved on 13 February 2001 (see S/2001/134) on the basis of understandings outlined in a letter of the same date addressed to the Permanent Representative of Iraq from the Executive Director of the Iraq Programme (ibid., annex I).

3. The distribution plan for phase IX is budgeted at $5.556 billion, compared with $7.13 billion for the previous phase (S/2000/733, annex II, enclosure, para. 3). I am concerned, however, that the funds required for its implementation may not be available owing to the substantial drop in the oil exports from Iraq under the programme since December 2000.

4. Although the programme was never meant to meet all the needs of the Iraqi people, over the past four years it has contributed to arresting the decline of, and in some parts improving, living conditions in Iraq. Since the start of the implementation of the programme in December 1996, supplies with a total value of $10.264 billion were delivered to Iraq in complete or partial shipments, including $562 million worth of oil spare parts and equipment. Additional quantities of supplies and equipment that have already been approved, with an estimated value of $8.488 billion, were in the production and delivery pipeline. Unfortunately, however, the impact of the programme has not been uniform throughout the country; the previously existing disparities between Baghdad and the rest of the country as well as between rural and urban areas have persisted. There are also growing disparities within as well as between the three northern governorates of Dahuk, Erbil and Sulaymaniyah.

5. The nutritional situation of the Iraqi population has improved over the past four years. In March 1997 the energy content of the food ration was 1,295 kilocalories per person per day. Over the past three months, the average caloric value of the food ration provided had risen to 2,270 kilocalories per person per day, against a targeted caloric value of the food basket of 2,472 kilocalories per person per day. Unfortunately, however, the poorer strata of society are often forced to barter what they receive through the food basket in order to procure other basic necessities. The purchasing power has steadily declined and, while food items are readily available in markets, they are unaffordable to the average Iraqi citizen. Thus, even though Iraq has a surfeit of vegetables, fruits and animal products, the majority of the Iraqis cannot afford to buy them.

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6. In the three northern governorates, there has been considerable improvement in the nutritional status of children under five years of age, with a consistent decline in chronic malnutrition rates. In the central and southern governorates, however, chronic malnutrition rates remain higher overall. While chronic malnutrition has decreased in urban areas, it has increased in rural areas. Accordingly, it is essential to review further the relevant allocation as well as the range of items included in the distribution plan for phase IX in order to improve expeditiously the nutritional status of children. Now that funds are available, the Government of Iraq is in a position to address urgently the nutritional and health status of the children of Iraq.

7. As reported by the World Health Organization (WHO), at the beginning of the implementation of the programme, the health system was on the verge of collapse. Four years later health conditions in Baghdad and throughout the country have improved, but remain precarious. While the Government has taken measures to address deficiencies in individual hospitals, the medical infrastructure requires thorough rehabilitation. Essential factors such as the availability of medicines and hospital patient capacity would need additional attention within the framework of the distribution plan.

II. Revenue generation

A. Oil production and sale of petroleum and petroleum products

8. Since the beginning of phase IX, the oil overseers and the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait, hereinafter referred to as the Committee, have reviewed and approved a total of 91 contracts (including 57 from phase VIII that were extended to phase IX) involving purchasers from the following 35 countries (figures in parentheses indicate the number of contracts for that country: Algeria (1); Belarus (3); Brazil (1); Canada (1); China (4); Cyprus (2); France (6); Greece (2); India (1); Indonesia (2); Italy (5); Kenya (1); Lebanon (1); Liechtenstein (2); Malaysia (4); Namibia (2); Oman (1); Pakistan (1); Panama (1); Romania (1); Russian Federation (16); Singapore (1); South Africa (1); Spain (2); Sudan (1); Switzerland (8); Syrian Arab Republic (2); Tunisia (1); Turkey (4); Ukraine (2); United Arab Emirates (6); United Kingdom of Great Britain and Northern Ireland (2); Venezuela (1); Viet Nam (1); and Yemen (1).

9. The total quantity of oil approved for export under those contracts amounts to approximately 233.1 million barrels with an estimated revenue of 5.3 billion euros (including pipeline fees, if all contracts are executed at current prices).

10. Although no major breakdown in the oil facilities has been either observed or reported during the period under review, the export of petroleum from Iraq under the current phase has proceeded very unevenly. During the reporting period neither the oil overseers nor the Committee accepted proposals by the Iraqi State Marketing Organization for Oil (SOMO) for excessively discounted prices. This has led to considerable difficulties between SOMO and the oil overseers. Only 29 loadings, totalling 48.9 million barrels with an estimated value of 1,098 million euros, have been completed during the reporting period. This represents less than the amount normally loaded during one single month during the previous phase, and corresponds to a loss of revenue of around 2 billion euros.

11. It may be recalled that on 15 December 2000, concerned with widespread reports of additional charges imposed on buyers of Iraqi crude oil, the Committee directed the oil overseers to advise the buyers of Iraqi crude oil: (a) that the Committee had not approved a surcharge of any kind on Iraqi oil; (b) that payments for purchasing Iraqi crude oil could not be made to a non-United Nations account; and (c) that buyers of Iraqi oil should not pay any kind of surcharge to Iraq.

Oil exports from Iraq

12. The modus operandi for the inspection of oil exports originating from Iraq has remained unchanged. During the current phase, 14 independent inspection agents from Saybolt were on site, based in Mina al-Bakr and Zakho in Iraq and Ceyhan in Turkey.

Mina al-Bakr

13. Crude oil loadings have continued from the Mina al-Bakr oil platform under the supervision of the Saybolt monitoring team. During the period under review, a total net volume of 36,363,137 barrels has been loaded, as ascertained by reference to the vessel's calibration charts. This is equivalent to an average of

661,148 barrels per day, compared with about 1,285,111 barrels per day during the previous phase.

14. In spite of my earlier appeals, there has been little if any improvement in the living conditions on the Mina al-Bakr platform. No improvements have been noted on the general safety arrangements on the platform or in the transportation arrangements to and from shore. The davits required for launching have been delivered and are being installed.

MS-1 metering station at Zakho

15. The transfer of crude oil from Iraq via the Iraq-Turkey pipeline to the Botas terminal in Ceyhan, Turkey, has continued under the supervision of the Saybolt monitors. During the period under review, the volume of crude oil monitored through the metering banks at the MS-1 metering station at Zakho was 10,324,791 barrels.

Botas terminal, Ceyhan

16. The volume of crude oil, as monitored by Saybolt, flowing into the receiving storage tanks at the Botas terminal, as ascertained by reference to storage tank calibration charts, was 10,228,635 barrels, equivalent to an average of 185,975 barrels per day, as compared with about 841,760 barrels per day during the previous phase.

17. The total net volume of crude oil delivered to vessels at the Botas terminal was 6,221,995 barrels, as ascertained by reference to the vessels' calibration charts. This is equivalent to an average of 113,127 barrels per day.

Total crude oil exports

18. The total net volume of crude oil exported from Mina al-Bakr and Ceyhan, as monitored by Saybolt, was 42,585,132 barrels, or an average of 774,275 barrels per day. Of the total volume exported, 14.6 per cent was exported via Ceyhan and 85.4 per cent was exported via Mina al-Bakr.

19. Pursuant to paragraph 7 of resolution 1330 (2000), a team of three experts travelled to Iraq for the period from 14 to 17 January 2001. They assisted the relevant Iraqi authorities in preparing the list of oil spare parts and equipment on a project basis, which were included as an annex to the distribution plan for phase IX.

20. Pursuant to paragraph 15 of Security Council resolution 1330 (2000), a group of experts will travel to Iraq in March to work closely with the relevant Iraqi authorities, and to assist in the preparation of a report and in the formulation of the necessary arrangements, subject to the approval of the Council, to allow funds up to 600 million euros deposited in the account established by resolution 986 (1995) to be used for the cost of installation and maintenance, including training services, of the equipment and spare parts for the oil industry, which have been funded in accordance with the provisions of resolution 986 (1995) and related resolutions. I expect to submit my report to the Council before the end of April 2001.

21. I regret, however, that I will be unable to submit to the Committee the report requested in paragraph 18 of resolution 1330 (2000) containing proposals for the use of additional export routes for petroleum and petroleum products. In a letter dated 22 December 2000 addressed to the Permanent Representative of Iraq to the United Nations, the Executive Director of the Iraq Programme requested the assistance of the Government of Iraq in making the arrangements necessary to allow for a team of experts to travel to Iraq in order to assist in the preparation of the above report. In response, in a letter dated 23 January 2001, the Executive Director of the Iraq Programme was informed that the establishment of additional export routes for petroleum and petroleum products was not "among Iraq's current priorities" and that the Government of Iraq saw no need for an expert mission to be deployed to Iraq to study the matter.

B. United Nations accounts pertaining to the Iraq programme

22. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraphs 8 (a) to (g) of Security Council resolution 986 (1995). As at 31 January, 355.5 million euros had been deposited into the account for phase IX, as authorized under Council resolutions 1284 (1999) and 1330 (2000), bringing the total oil sale revenue since the inception of the programme to $37,333.9 million and 1,934.9 million euros. The allocation of total oil revenue among the various funds and corresponding expenditures, as at 31 January, are reported in annex I; the number and value of letters of

credit pertaining to oil proceeds and humanitarian supplies are reported in annex II.

23. The over-concentration of funds in one bank was first brought to the attention of the Security Council in June 1997 by the Under-Secretary-General for Management. In addition, in my report of 10 March 2000 (S/2000/208), I highlighted the concentration of funds in one bank, and the operational vulnerability of depending on a single issuer for humanitarian letters of credit.

24. Following extensive consultations with the Government of Iraq, the Secretariat negotiated with a group of banks with the aim of diversifying the funds in the United Nations Iraq account. The Secretariat has executed agreements with four banks and has started diversifying the investment among these banks. However, in my report of 29 November 2000 (S/2000/1132), I reiterated that the risk of depending on a single bank for the issuance of humanitarian letters of credit and oil letters of credit remained an operational vulnerability. The Government of Iraq has now agreed with this assessment and has written to the Under-Secretary-General for Management indicating the need for such an operational diversification. Based on consultations with the Government of Iraq, the Secretariat has identified six banks, including BNP-Paribas, that meet the acceptable credit rating and that will be asked to compete for the banking services required to implement resolution 986 (1995). A competitive bidding process will be carried out, and it is expected that this process will be completed by May 2001.

25. The Security Council, in paragraph 9 of its resolution 1330 (2000), requested that I take the steps necessary to transfer the excess funds drawn from the account created pursuant to paragraph 8 (d) of resolution 986 (1995) for the purposes set out in paragraph 8 (a) of that resolution in order to increase the funds available for humanitarian purposes, including, as appropriate, the purposes referred to in paragraph 24 of resolution 1284 (1999). A review to identify unencumbered funds under phase VIII of the programme in the account created pursuant to paragraph 8 (a) of resolution 986 (1995) is under way. Any excess funds identified will be made available to that account for the purchase of humanitarian supplies and will be reported to the Council accordingly.

26. Following a proposal made to the Committee to retain a contingency reserve of $200 million and to make available $52 million in unencumbered funds from phase VII as at 30 June 2000, the amount of $52 million has been redistributed for the purchase of humanitarian supplies.

27. In paragraph 12 of its resolution 1330 (2000), the Council decided that the effective deduction rate of the funds deposited in the escrow account established by resolution 986 (1995) to be transferred to the Compensation Fund in the 180-day period should be 25 per cent, and further decided that the additional funds resulting from that decision would be deposited in the account created by paragraph 8 (a) of resolution 986 (1995). Therefore, as at the 180-day period referred to in resolution 1330 (2000), the allocation of oil revenues to the various sub-accounts created pursuant to paragraph 8 of resolution 986 (1995) was as follows: 59.034 per cent for ESB; 13 per cent for ESC; 2.215 per cent for ESD; 0.751 per cent for ESE; and 25 per cent for CWA.

28. The Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq have continued to review with the Government of Iraq the various possibilities for implementing the Council's request contained in paragraph 24 of resolution 1284 (1999) and reiterated in paragraph 15 of resolution 1330 (2000) concerning arrangements for local procurement and a cash component.

C. Processing and approval of applications for contracts

29. The delayed submission of the distribution plan by the Government of Iraq will affect adversely the implementation of the programme during the current phase. The first application under phase IX was submitted to the Office of the Iraq Programme on 15 February.

30. It is therefore essential that the Government of Iraq expedite its contracting and utilization of funds available under phase IX in order to minimize such inordinate delays in the submission of applications as experienced under phase VIII, much to the detriment of programme implementation. In this connection, I should like to note the inclusion, in most of the contracts signed recently by the Government of Iraq, of a clause stipulating a deadline for the submission of

applications to the Secretariat by the suppliers concerned.

31. One development that may partly explain the delayed submission of applications under phase VIII was the promulgation on 2 October of a new Iraqi law concerning the regulation of commercial agencies (law No. 51/2000). The law restricts business transactions under the programme to manufacturing and producer companies and excludes all intermediaries. In a letter dated 29 January 2001, the Permanent Mission of Iraq informed the Office of the Iraq Programme of the promulgation of the new law, advised it that the delays in contracting experienced in some sectors had recently been overcome and expressed the hope that there would be no delays in contracting during phase IX.

32. Under article 14 of the law, government and social sector departments are forbidden to deal with commercial agents no matter what titles they carry, whether they are natural persons or corporate bodies. The departments must directly deal with Arab and foreign companies. If government and social sector departments are not able to deal directly with the Arab and foreign companies they must submit an application to obtain official approval of a central authority in order to deal with licensed commercial agents.

33. As a result of this development, ministries in critical sectors such as health, education, oil, and water and sanitation have had to readjust their contracting procedures to identify direct sources of supplies. According to the authorities in Baghdad, these new procedures have contributed to serious delays in the submission of applications for contracts in the above key sectors. In the health sector, for example, out of the total allocations of $624.75 million made under distribution plan for phase VIII, the total value of applications received, as at 31 January 2001, was only $135 million. Likewise, the total value of applications received for the education, water and sanitation and oil sectors was, respectively, $34 million, $214 million and $35 million, against the distribution plan budget allocations of $351.5 million, $551.16 million and $600 million.

34. In paragraph 2 of its resolution 1330 (2000), the Security Council decided that, from the sum generated by the sale of petroleum and petroleum products originating in Iraq, the amounts I recommended in my supplementary report of 1 February 1998 (S/1998/90) for the food and nutrition and health sectors should continue to be allocated on a priority basis. I am pleased to report that in the distribution plan for phase IX, priority funding has been accorded to those sectors despite the forecast of a lower revenue base under the current phase, now estimated to be 28 per cent less than the revenue available under phase VIII.

35. I therefore welcome the decision of the Government of Iraq to allocate $1.58 billion to meet the food, nutrition and health needs of the Iraqi population under the distribution plan for phase IX. The food allocation would allow the Government to meet the recommended caloric level of 2,472 kilocalories and 60.2 grams of protein per person per day. In addition, the allocation of $209.33 million to the food-handling subsector for spare parts and equipment will improve storage facilities and the transportation of food and other commodities.

Processing of applications received under the ESB (59 per cent) account

36. As at 14 February, over $19.5 billion and over 1.1 billion euros have been made available under the ESB (59 per cent) account, excluding the funds reimbursed from the ESC (13 per cent) account, for supplies procured under the bulk purchase arrangements and delivered by the Government of Iraq to the three northern governorates. As at 31 January 2001, a total of 14,024 applications, with a value of $23.31 billion, under the ESB (59 per cent) account were submitted to the Office of the Iraq Programme. Out of this total, the contracting parties subsequently declared 1,061 contract applications to be null and void. A total of 10,948 applications, with a value of $18.75 billion, have been approved by the Committee or, pursuant to paragraphs 17 and 18 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000), "notified" by the Secretariat. In addition, 1,562 applications, with a total value of $3,117 billion, were on hold. Furthermore, 303 applications, valued at $865 million, which were incomplete or did not comply with either the approved distribution plans or the procedures of the Committee, could not be processed by the Secretariat, pending the submission of the required information, corrections or amendments, mainly by the suppliers. A further 122 applications, which had been received during the month of January, with a total value of $417 million, were actively being processed.

37. I should like to note the relative improvement in the rate of submission of applications, which reached a total of 1,649 valued at $5.22 billion, comprising 66.82 per cent of the phase VIII distribution plan budget. However, as stated earlier, the rate of submission varied greatly among the different sectors of the programme. While the value of applications for the food and food-handling items has exceeded the level of funds allocated to those sectors, applications submitted for the oil spare parts and equipment, education, health, and water and sanitation sectors were at disturbingly low levels.

ESC (13 per cent) account

38. Almost $5 billion has been made available by the United Nations, on behalf of the Government of Iraq, under the ESC (13 per cent) account, since the beginning of programme implementation in the three northern governorates. This amount includes the funds subsequently reimbursed to the ESB (59 per cent) account for supplies of food, medicine and vaccines delivered by the Government of Iraq to the three northern governorates under the bulk procurement arrangements.

39. The United Nations agencies and programmes involved in the implementation of the programme have submitted a total of 3,416 applications under the ESC (13 per cent) account, of which 3,170 applications, with a total value of $969 million, excluding food and medicine procured by the Government of Iraq under the bulk purchase arrangements, have been approved by the Committee, or notified by the Secretariat pursuant to paragraph 17 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000). Seven applications, with a total value of $423,942, have been placed on hold, and 94 applications, with a total value of $26.08 million, are currently under processing or evaluation, awaiting further specifications.

40. I am also concerned about the unsatisfactory rate of submission of applications by United Nations agencies and programmes, though the reasons for the difficulties encountered in that regard are different from those submitted under the ESB (59 per cent) account. I have therefore directed the Executive Director of the Iraq Programme to take up the matter with the executive heads of the agencies and programmes concerned in order to expedite the contracting of supplies and equipment for the three governorates in the north.

Oil spare parts and equipment

41. The Office of the Iraq Programme has received a total of 3,234 applications valued at $1.905 billion, against a total of $2.4 billion authorized by the Council for the procurement of oil spare parts and equipment under phases IV to VIII. Out of that total, 2,366 applications valued at $1.355 billion have been approved, including 86 applications valued at $60.38 million, which were approved by the group of oil experts in the Office of the Iraq Programme pursuant to paragraph 18 of resolution 1284 (1999). A total of 562 applications valued at $435 million have been placed on hold, while 90 incomplete or non-compliant applications, valued at $106 million, remain idle pending further action, mostly by the suppliers. Nineteen applications, worth $8.7 million, are actively being processed.

42. I can only reiterate the regret expressed in my previous report (S/2000/1132, para. 34) that no major improvement has been noted in the submission of oil spare parts applications under phase VIII. Almost two months after the completion of phase VIII, the Office of the Iraq Programme had received only 46 applications for oil spare parts and equipment valued at $34.98 million, which represented only 5.8 per cent of the $600 million allocated to that sector.

43. The rate of arrival of oil spare parts and equipment approved under earlier phases has continued to increase, with a total value of $562 million. Supplies valued at about $793 million are still in the production and delivery pipeline.

Incomplete and/or non-compliant applications under the ESB (59 per cent) account

44. In my previous report to the Council (ibid., para. 36), I reiterated my very serious concern over the large volume of incomplete and/or non-compliant applications submitted to the Secretariat, and very much regretted the generally slow rate of responses from the suppliers to the requests for additional information, clarifications or corrections. Further to his previous appeals, the Executive Director of the Iraq Programme brought to the attention of the permanent representatives of 18 Member States concerned the details of their respective applications on which the Secretariat had not received the required responses in excess of six months. The above information was also communicated to the Permanent Representative of Iraq

to the United Nations, reiterating earlier appeals that the Government of Iraq persuade the suppliers concerned to urgently respond to those cases.

Applications placed on hold

45. I should like to reiterate my grave concern over the unacceptably high level of holds placed on applications. The volume of such holds, with a total value of $3.117 billion, has increased dramatically, reaching the level of 16.5 per cent of all applications circulated to the Committee. Even if the value of all applications circulated to Committee are combined with the value of applications notified by the Secretariat but not circulated to the Committee, the value of applications on hold still amounts to 14.15 per cent of the above total. It is regrettable that it has not yet been possible for the Committee to start a fresh round of technical meetings to review the holds placed on applications in each sector, as had been proposed by the Executive Director of the Iraq Programme in his letter to the Committee dated 27 September 2000.

46. To this end, and pursuant to paragraph 13 of resolution 1330 (2000), the Office of the Iraq Programme has submitted to the Committee a proposed schedule of briefings by the relevant United Nations agencies and programmes involved in the implementation of the programme who will brief the Committee on sectoral activities and provide any further clarifications that may be required to facilitate the lifting of holds.

47. Meanwhile, the Office of the Iraq Programme continued to provide the Committee with regular comprehensive and analytical reports and data regarding applications placed on hold, trends in the imposition of holds, programme-related reasons for the release of holds and the interrelationship of supplies required for given projects and activities. Further to assisting the suppliers in preparing the requested information by providing them with examples of the detailed specifications normally requested by the holding missions, the Office of the Iraq Programme, the United Nations Office of the Humanitarian Coordinator for Iraq and United Nations agencies and programmes have assisted the Iraqi institutions in developing the technical details of the contracted items that are likely to be subjected to holds.

48. I should like to note, however, that following the technical discussions held on 23 January with the missions concerned, there are some positive indications that a number of applications that are presently on hold are being further reviewed.

Implementation of paragraph 25 of resolution 1284 (1999)

49. Pursuant to paragraph 25 of resolution 1284 (1999), the Secretariat continued to notify the Committee of all applications containing items subject to the provisions of the export/import mechanism established by resolution 1051 (1996). The additional information obtained by the Secretariat for the above determination is shared with the Committee with a view to reducing the number of holds placed on applications for lack of technical specifications.

50. However, Secretariat experts had determined that the items contained in 207 applications, valued at $429 million, were not included in the list to which the export/import mechanism approved by resolution 1051 (1996) applied. The Committee disagreed with the above determination by the Secretariat experts. In order to address this problem, as mentioned above, the Office of the Iraq Programme organized a meeting of the experts of the Secretariat and the Committee members concerned, which was held on 23 January. Informal points of understanding were reached at the meeting on improving the flow of information, prioritization of reviews and greater utilization of the United Nations observation mechanism as a condition in approving applications containing items of potential dual use.

51. As requested in paragraph 19 of resolution 1330 (2001), the Executive Chairman of the United Nations Monitoring, Verification and Inspection Commission and the Director-General of the International Atomic Energy Agency agreed to hold joint meetings of their respective experts on 13 and 14 February 2001. The experts will revise and update the list of items and technology to which the export/import mechanism approved by resolution 1051 (1996) applies. The report of this joint session will be circulated to the Security Council in the near future.

Approvals and/or releases on the condition of monitoring and observation

52. As previously reported (S/2000/857, para. 22), the observation and monitoring resources of the Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq, the United

Nations agencies and programmes and the independent inspection agents, Cotecna and Saybolt, were integrated and consolidated further. This enhanced mechanism should provide adequate assurance to the members of the Committee that items of special concern are utilized for the purpose for which they were approved.

53. The above measure has significantly helped in the approval and/or release from hold by the Committee of 588 applications valued at $937 million, on the condition that special targeted monitoring and observation is carried out. I strongly urge the Committee to place greater confidence in the United Nations observation and monitoring system in order to approve or release from hold those applications which contain items that are on the list provided for under resolution 1051 (1996).

Notifications and approvals by the Secretariat

54. Pursuant to the relevant provisions of resolutions 1284 (1999) and 1302 (2000), the Secretariat notified the Committee that 1,510 applications, with a total value of $3,180 billion, were eligible for payment, including 86 applications for oil spare parts and equipment, worth $60.38 million, which were approved by the group of oil experts. Although the project-based list of oil spare parts and equipment for phase VIII, which was submitted to the Committee on 8 August 2000, was approved only during the last week of that phase, on 30 November 2000, this delayed approval of the list did not affect significantly the approval of applications by the group of oil experts, in view of the inordinate delays in the submission of the relevant applications.

55. In response to a request by the Executive Director of the Iraq Programme to the Committee members concerned, some $10 million worth of applications previously placed on hold, which contained only items that were later included in the pre-approved categorized lists, have now been released from hold.

56. Further to the request contained in paragraph 11 of Security Council resolution 1330 (2000), the Office of the Iraq Programme, in consultation with the United Nations Office of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes, prepared lists of additional items in the agriculture, education, food and food-handling, health, and water and sanitation sectors. Those lists were submitted to the Committee on 4 January 2001, within the 30-day deadline set by the resolution, with a view to expanding and updating the respective categorized lists approved by the Committee pursuant to paragraph 17 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000). The Committee approved the lists, as revised by the Committee, in February.

57. Furthermore, as requested in paragraph 10 of resolution 1330 (2000), the Office of the Iraq Programme submitted to the Committee the categorized lists of items for the housing and electricity sectors on 12 and 22 February 2001 respectively.

Letters of credit

58. According to the records of the United Nations Treasurer, BNP-Paribas has issued a total of 10,397 letters of credit with a total value of $17.116 billion and has paid the suppliers a total amount of $9.764 billion for the supplies delivered to Iraq. With some 97 letters of credit actively being processed as at 13 February, there was no major backlog in the issuance of letters of credit by BNP-Paribas. However, a total of 548 applications valued at $1.123 billion were approved, for which the Central Bank of Iraq had not instructed BNP-Paribas to issue letters of credit. On several occasions the Central Bank of Iraq has been requested to expedite its instructions regarding the opening of letters of credit soon after the approval of applications and to reduce the time it takes to respond to the requests for clarification by BNP-Paribas. The Government of Iraq has been kept fully up to date on this unsatisfactory situation and has been repeatedly reminded of the need for a determined effort to address this persistent problem. In this connection, I should like to reiterate once again my earlier recommendation that the Government of Iraq deploy to New York a representative of the Central Bank of Iraq, at the appropriate level, in order to expedite activities related to banking arrangements, as envisaged in paragraph 13 of the memorandum of understanding between the Secretariat and Iraq (S/1996/356).

Commercial protection

59. According to a preliminary analysis carried out by the Office of the Iraq Programme, it is estimated that items contained in some 1,500 to 2,000 contracts may have become the subject of commercial disputes over the past year between the Iraqi purchasers and their suppliers. The number of applications submitted

for the export of free-of-charge goods as compensation, warranty or replacement items in return for incomplete shipments and defective or non-compliant items provides an indication of the magnitude of the disputed cases, which the contracting parties appear to have resolved through bilateral negotiations.

60. I have consistently urged the Government of Iraq to engage well-established and reputable suppliers as a preventive measure to minimize the occurrence of such disputes. In this connection, I should like to take note of the practice by the Iraqi buyers of excluding from participation in future commercial bids suppliers who have defaulted on the terms of their previous contracts. I also take note of a new law promulgated on 2 October 2000, which restricts contracting to only producers and manufacturers and prohibits the use of intermediaries. However useful they may be in reducing the number of commercial disputes, these unilateral measures alone are not a remedy for such cases where a one-time supplier defies his or her contractual responsibilities and takes undue advantage of the existing vacuum in the commercial safeguards under the programme. Furthermore, bilateral dispute resolution practices are effective and useful only if both parties act in good faith in discharging their contractual obligations. This, regrettably, has not always been the case with regard to some suppliers.

61. With the growing volume of supplies delivered to Iraq, as well as the greater variety and complexity of the supplies, the number of cases where supplies are not delivered in full or do not comply with contractual specifications will increase further, despite efforts by the Government of Iraq to avoid intermediaries and delinquent suppliers and to engage only reliable producers and manufacturers. Accordingly, it is essential to provide legitimate commercial protection to the Iraqi buyers.

62. It is with that objective in mind that I welcome the resumption, albeit with much delay, of the informal discussions in the Committee of the options submitted by the Office of the Iraq Programme, in July 1999, concerning payment clauses for the ESB (59 per cent) account. I should like to appeal to the Committee to accord the highest priority to this matter and to take the measures necessary to protect the ESB (59 per cent) account against commercial malpractice or occasional fraudulent practices.

III. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

63. The staff of Cotecna Inspection S.A., the United Nations independent inspection agent at the border entry points to Iraq at Al-Waleed, Trebil, Umm Qasr and Zakho, continued to authenticate the arrival in Iraq of supplies procured under the ESB (59 per cent) and ESC (13 per cent) accounts. The sampling, inspection and testing procedures have been further streamlined and the process of authentication and reporting further expedited through the stationing of an additional five staff and the electronic transmission of data from the field to the Office of the Iraq Programme.

64. In the case of Umm Qasr, however, there were considerable delays in authenticating some of the discharged goods as a result of late action by some Iraqi buyers to take delivery of their respective goods and to remove them from the port area. The Office of the Iraq Programme has informed the Government of Iraq of the complaints lodged by many suppliers regarding the ensuing delays in the authentication of and payment for the discharged goods, and has urged that the buyers concerned take urgent measures to address those delays.

65. The modalities agreed upon by the Office of the Iraq Programme and the United Nations Treasury regarding electronic certification of authentications went into effect during the month of February 2001. They are expected to reduce considerably the time and resources required for finalizing the payment process.

B. Monitoring of oil spare parts and equipment

66. During the reporting period, 251 shipments of oil spare parts and equipment were received, of which supplies covered by 63 contracts were fully delivered and monitored. Letters of discrepancy were issued for supplies under six contracts. In addition, supplies covered under 140 contracts had arrived but had not yet been checked or were awaiting technical reports from the recipients. An additional 42 partial deliveries had been made.

67. The value of supplies delivered during the period (estimating the letters of discrepancy and partial deliveries on the basis of prior performance) is $91.2 million. The total value of deliveries made since phase IV is $562 million.

68. During the reporting period, the Saybolt monitoring team carried out 235 site visits throughout Iraq. This included the monitoring of a partial delivery of pipeline to be laid and welded from Naft Khaneh to the Daura refinery. Furthermore, 12 end-use reports were prepared in response to requests from the Committee.

69. The Saybolt oil spare parts and monitoring team is based in Baghdad and consists of six members. Team members travel extensively throughout the country and routinely visit the south and north of Iraq once a week, covering various warehouses in each area. Owing to the increase in the volume and complexity of the oil spare parts and equipment delivered, each monitoring trip takes at least three days to complete. Monitors from the Baghdad office cover warehouses in the vicinity of Baghdad, which can be visited in one working day.

C. United Nations observation mechanism

70. In paragraph 3 of resolution 1330 (2000), the Council requested me to continue to take the action necessary to ensure effective and efficient implementation of the resolution, including the recruitment and placement in Iraq of a full complement of observers within 90 days of its adoption. I am pleased to report that the Office of the Iraq Programme, the United Nations Office of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes have together completed recruitment for all 158 international observer posts. Most of those observers are specialists, with the requisite technical skills to conduct effective observations of supplies and equipment provided under the programme that are currently arriving and being installed and used in the country.

71. During the reporting period, the allocation of observer posts among the sectors has been readjusted further to ensure more effective coverage, relative to the size, complexity and sensitivity of the various sectoral activities. This balances the number of observers to areas of concern to the Committee, avoids overlap and increases efficiency. The United Nations will continue to review and adjust these arrangements as necessary. A breakdown of observer numbers by United Nations agencies and programmes, multidisciplinary and geographical observation units, and sector is provided in annex III to the present report.

72. The observation process in the centre and south during the period under review continued to be organized around the sectoral working groups within the framework of the enhanced observation system. The Countrywide Observation Advisory Group, under the chairmanship of the United Nations Humanitarian Coordinator in Iraq and comprising the heads of all the United Nations agencies and programmes and senior staff from the United Nations Office of the Humanitarian Coordinator for Iraq, sets guidelines and approves field observation activities in consultation with the Office of the Iraq Programme.

73. Observations during the period under review focused on priority areas of comprehensive tracking (with emphasis on items of potential dual use) and provision of updated information on end-user and end-use programme items. In all the sectors, observations were based on quarterly plans that had been revised to place greater emphasis on items of concern to the Committee and on its specific information requirements.

IV. Programme implementation

A. Sectoral focus

Food

74. In my previous report (S/2000/1132, para. 68) I had noted that, owing to the time involved in contracting for supplies and waiting for their arrival, the food basket at that point provided an average value of 2,188 kilocalories and 47.9 grams of protein per person per day. During the period under review, the caloric and protein value of the food basket stood at an average of 2,270 kilocalories and 47.3 grams of protein per person per day, which corresponded respectively to 92 per cent and 79 per cent of the requirements established under my recommendation contained in my supplementary report of 1 February 1998 (S/1998/90). Household spot-checks carried out throughout the governorates of the centre and south indicated that 95

per cent of the beneficiaries interviewed had received their full ration.

75. In December 2000 the Government of Iraq met the targeted caloric value of 2,472 kilocalories, but the protein provided was 49.4 grams, which fell short of the planned level of 60.2 grams. In January 2001, however, the caloric value of the food basket provided declined to only 2,141 kilocalories and 44.27 grams of protein per person per day, corresponding to 87 per cent and 74 per cent respectively of the targets established under phase VIII of the distribution plan and the recommendations contained in my supplementary report.

76. The shortfall in the planned protein and energy levels during the reporting period was attributed mainly to the provision of smaller quantities of pulses and dairy products; there were no pulses in the January 2001 food ration. Since pulses are rich in protein and other nutrients, the absence or insufficient supply of them in the food ration compromised the total protein availability in the food basket. The shortage was caused by the erratic arrival of pulses as a result of late contracting and poor performance by some suppliers. Under the distribution plans for phases VI to VIII, a total of 401,000 tons of pulses was contracted and approved, but only 107,215 metric tons, or 26.7 per cent, had arrived as at 31 January. The problem of contracted suppliers failing to honour their contractual obligations has persisted and is having negative consequences for the timely delivery of programme commodities.

77. In previous reports I noted the availability of locally produced food items such as poultry meat, eggs, fruits and vegetables. Unfortunately, however, because of the market price of those items, the poorer strata of Iraqis continued to depend heavily on the food ration provided through the food basket. The sale or bartering of food basket commodities continues to represent the means by which they are able to procure other basic necessities. The United Nations observation system has begun working with the Government of Iraq to gather additional information on household food security in order to gain a better understanding of this critical issue. These findings will be reported to the Security Council in due course.

Transport and food handling

78. With regard to transport and food handling, the United Nations observers have since January been conducting a detailed assessment of the facilities and rehabilitation requirements at the port of Umm Qasr. This assessment is ongoing. However, preliminary observation findings indicate that the lack of essential equipment, spare parts and marine generators for the existing dredgers and tugboats, as well as the equipment needed to free the port from sunken wrecks, is limiting the availability of cargo-handling berths. New equipment would contribute to reducing current port congestion. Contracts for all of the aforementioned items were on hold during the reporting period. These items are vital for safe navigation and for facilitating the docking of vessels at the port.

79. The cargo-handling section of the port has been incapacitated, while port equipment that has been ordered (such as straddle-carriers, forklifts, terminal tractors and spare parts for the existing gantry cranes) has yet to arrive in the country. Although the Committee had approved some of the contracts submitted, late contracting, the lengthy approval process and long delivery periods have delayed the arrival of urgently needed equipment and spare parts. Consequently, there has been no significant improvement in the port's operational capacity and performance. The congestion at Umm Qasr continues to impede the effective implementation of the humanitarian programme, as the majority of programme commodities are handled through the port. It is expected that, with the arrival of the approved new shore handling equipment, the discharge rate will increase by 50 to 80 per cent, depending on the cargo handled.

80. Freight trains are vital to the effective implementation of the programme. Because of its affordability, rail transportation also remains an essential and the most economical means of transport in Iraq, particularly for those with minimal financial resources. According to available information, the Iraqi rail network transports approximately 200,000 passengers and up to 400,000 tons of freight each month. One major constraint in operating freight and passenger trains is the insufficient number of operating locomotives. Only 80 out of 382 locomotives, or 21 per cent of the existing stock, are operational. One application worth $42.8 million to procure 30 new locomotives for transporting goods and passengers on

the main lines between Umm Qasr, Baghdad, Al-Qaim and Mosul is on hold. Five applications worth $14.2 million, for the procurement of railway telecommunications and signalling equipment, are still on hold. Without the release of the holds placed on the applications for locomotives and signalling equipment, the system cannot operate safely and effectively. It is essential, however, that the Government of Iraq provide the additional information requested by the Committee in order to ensure that the members concerned could further review the applications with a view to lifting the holds. As the World Food Programme (WFP) reported to the Committee in October, an effective observation mechanism is in place that should provide adequate assurance to the Committee to enable it to release applications on hold in this crucial sector, if necessary, against end-use observation and reporting.

81. The first 20 refrigerated trucks ordered by the State Corporation for Foodstuff Trading arrived in the country during the period. This will assist in the distribution of perishable food items, such as chicken, meat, eggs, milk and cheese, through private and State sector sales outlets. United Nations observations also confirmed the distribution of the refrigerant gas needed to operate the trucks as well as cold-food stores.

Health and nutrition

82. A review carried out by the health sector Working Group on the current problems, concerns and drug management policies in Iraq showed that, owing to the shortage of some medicines, drugs are still being rationed to outpatients. One of the serious health risks of this practice is the potential development of resistant bacterial strains during the treatment of infectious diseases where less than the full course of antibacterial agents is provided to patients.

83. The United Nations observers also found that all the warehouses and health facilities lacked computers of the appropriate capacity for the effective management of the increasing number of programme inputs. The provision of computers would also facilitate tracking of the arrival, distribution and expiration of drugs. The Ministry of Health is currently in the process of preparing a detailed plan for the allocation of computers and the training of sufficient staff. The plan will be shared with the United Nations upon its completion in order to facilitate the release of items on hold, which will contribute greatly towards the effective provision and monitoring of health-care services in Iraq. Appropriate computer equipment providing a nationwide information system for the effective management of a vast array of medicines and medical supplies reaching Kimadia and health facilities in Iraq is very long overdue.

84. United Nations observation reports reveal continuing shortages of some injectable antibiotics, anti-epileptics and drugs used in the treatment of diabetes and heart diseases. Injectable antibiotics included in tracked samples had been out of stock for over three months, while cough preparations, simple analgesics and antipyretics had been out of stock for more than six months. The number of health items that were short-supplied (partially delivered by the suppliers) and those that did not comply with the specifications of the contract increased during the period under review. Although some of these drugs are manufactured by Samara Drug Industries (SDI) in Iraq to supplement programme inputs, they are inadequate to make any significant impact on the shortfall.

85. I am pleased to report that United Nations observations of the SDI plants continued with the full cooperation of the Government of Iraq during the reporting period. United Nations teams visited SDI facilities at Samara and Ninewa and assessed the progress, problems and requirements of these local drug production plants. The findings revealed that some machines and equipment in use at the plants were old and obsolete, especially those used for the production and packaging of tablets, syrups, ampoules and ointments. Consequently, the plants are operating at about 25 per cent of their installed capacity. In addition, raw materials, quality control reagents and spare parts are still in short supply. All these have adversely affected the capacity of SDI to produce medicines and other supplies for health facilities in Iraq. According to available information, the production capacity of SDI, when fully operational, would cover 35 per cent of the national need. With its current production capacity reduced to about 25 per cent, its market share in the form of medicines and other hospital consumables is now only 6 per cent. Pricing and allocation criteria for SDI products are currently being worked out among all concerned parties.

86. The arrival of some medical equipment and spare parts, such as magnetic resonance imaging (MRI) units, X-ray machines and spare parts, has improved

radiological services. On average, 70 patients benefit from each MRI unit every week. Similarly, the recent arrival of 134 refrigerated trucks has greatly improved the distribution of medicines and medical supplies across the country.

87. Vaccines for measles, mumps, rubella, pneumonia, tetanus and hepatitis are also in short supply; anti-tuberculosis (BCG) vaccines are not available countrywide at all levels of health facilities. These shortages are exposing the Iraqi population to normally preventable infections. The lack of vaccines would mean that the 4.7 million children under the age of five countrywide are at risk. The shortages are due in part to delays in placing orders for replenishment of health items, irregular deliveries of orders, holds placed on applications and failure of some of the ordered items to pass quality-control tests. These obstacles are affecting adversely health-care delivery in the country. Equipment needed for the rehabilitation of the plants has been contracted but has not yet arrived. At present, two applications, one for tetanus and diphtheria anti-toxins and another for hepatitis-B vaccine, are on hold.

88. However, the polio immunization campaigns carried out in November 2000 and January 2001 were very successful. Preliminary figures provided by the Government of Iraq indicate coverage of the more than 95 per cent of the 4.2 million children targeted for each of the campaigns. No new case of poliomyelitis was reported in the country during the past 12 months.

89. Additionally, in the three governorates in the north, under the expanded programme of immunization, mobile vaccination teams are now being used to reach groups such as nomads, internally displaced persons and inhabitants of remote highland areas. As a result, significant progress has been made in this effort. Nevertheless, a shortage of vaccines such as BCG and DPT (diphtheria, pertussis, tetanus) has persisted. There have been no stocks of BCG vaccine since September 2000, and stocks for DPT vaccine remain low. Despite these shortages, however, the United Nations agencies are working with the Ministry of Health and the relevant local authorities in the three northern governorates to ensure that some 114,000 children under one year of age in the three governorates will not lose the opportunity of being vaccinated against the six diseases targeted by the expanded programme of immunization programme. The outcome of these efforts will be reported to the Security Council.

90. With regard to the targeted nutrition programme that provides therapy for malnourished children, pregnant women and lactating mothers in the central and southern governorates, seven applications for nutrition supplies worth $27.9 million, out of the total allocation of $28.5 million, submitted under the distribution plans for phases IV, V and VI have been approved since the beginning of programme implementation. In view of the fact that those applications were submitted late, and the fact that supplies under the applications were expected to arrive during phase VII, no additional applications were submitted under phase VII. It is regrettable, however, that no applications for the targeted feeding programme have been received under phase VIII.

91. Under approved applications, 8,242 tons of high-protein biscuits (representing 82 per cent of the quantity ordered) and 1,045 tons of therapeutic milk (representing 68 per cent of the quantity ordered) have arrived in the country. Of those, 3,791 tons of high-protein biscuits were distributed to the end-user sites, with an average monthly consumption of 800 tons. After months of uncertainty following its delivery, the therapeutic milk has now been certified by the Ministry of Health as contaminated, and has therefore not been distributed. I have thus requested the United Nations Children's Fund (UNICEF) to report further on this situation.

92. In order to address malnutrition in the country, the network of community childcare units, community-level entities providing children with basic targeted services related to health and nutrition, has grown from 100 in 1996 to 2,388 by the end of January 2001. This represents 80 per cent of the target of 3,000 community childcare units to be established in the centre and south of Iraq by the end of December 2000. UNICEF estimates that to provide full coverage in the 15 governorates of the centre and south, a total of 4,000 community childcare units will be required. Observations revealed that enrolment in the units fluctuated with the availability and distribution of supplies. In the period from October to December 2000, 900,000 children under five years of age were screened, and 320,000 of them received high-protein biscuits.

93. Inadequate storage space is a major problem in most of the facilities involved in the targeted nutrition programme. Other constraints include lack of cash for the training, reimbursement of transportation costs and payment of incentives to volunteers. The lack of equipment and materials for accurate data recording and management, as well as the continued hesitancy of the Government of Iraq to embrace this strategy and to provide more local funds from its resources, have compromised the effectiveness of the programme.

94. In the three northern governorates, the implementation of the nutrition programme under the auspices of WFP and UNICEF continued smoothly during the reporting period. WFP has agreed to the request of the local authorities to expand the school-feeding project to include all primary-school children (estimated at 650,000 under phase IX and budgeted at $9.3 million).

Water and sanitation

95. The installation of programme supplies has increased the production of potable water by improving the performance efficiency of water treatment plants and compact units assessed over the past three months in Baghdad and in four governorates of the centre and south, namely, Salah Al-Din, Karbala, Diyala and Babil. Of the 43 water treatment plants assessed, 4 had benefited from the installation of pumps and spare parts and from the provision of cash assistance by United Nations agencies and programmes as well as other international agencies, including non-governmental organizations, which made it possible for the works to be completed. Most of the funding has been provided by a trust fund administered by the Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq.

96. The increase in the production of potable water resulting from the application of programme inputs, unfortunately, has not fully benefited the population. This is due to distribution problems such as leakage in the water network and low efficiency of the pumping stations arising from the lack of pumps, control panels and chlorinators. United Nations assessments at boosting stations in the centre and south of Iraq indicate that only 40 per cent of the 43 boosting stations observed were operating at or above a 50 per cent efficiency level, contributing to the existing inadequacies in the water distribution system, including water loss through leakage.

97. The lack of a continuous power supply has further aggravated the situation. Of the 43 boosting stations observed, 37 per cent have a continuous power supply while others, on average, have power supply for only 15 hours a day. Some 56 per cent of the stations without a continuous power supply have standby generators that can operate only 50 per cent of the existing pumps.

98. Domestic production of aluminium sulphate in the past, using bauxite, resulted in a product that contained significant impurities, which in turn caused damage to water treatment plants. The use of higher quality aluminium sulphate (which can be made from locally available sulphuric acid and imported aluminium hydroxide) is necessary to prevent such damage. A United Nations assessment reveals that production of such high-quality aluminium sulphate in the country would cost roughly one third of the cost of the imported commodity. However, at present, five applications for aluminium hydroxide worth $4.93 million remain on hold.

99. The above notwithstanding, the improvement in the treatment process and utilization of the water purification chemicals is reported to have brought positive changes in the quality of water at the consumer level. In 11 of the 15 governorates of the centre and south of Iraq, the Ministry of Health test results on the samples taken at various points in the water distribution network have shown a decrease in the percentage of samples that failed bacteriological tests between January and November 2000, compared with the percentage of failed samples between January and October 1999. The highest decrease was noted in the governorate of Thi-Qar, where the percentage of failed samples had decreased from 23.22 per cent in 1999 to 14.52 per cent in 2000. Similarly, the percentage of samples failing chlorine tests has decreased in all governorates, with the highest decrease in Thi-Qar governorate, where the percentage of chlorine samples failed decreased from 18.6 per cent to 11.1 per cent. The release from hold of applications relating to laboratory supplies and the production of aluminium hydroxide would facilitate the monitoring and improvement of water quality.

100. In the three northern governorates, assistance was given to local institutions in maintaining the supply and quality of drinking water. This was done both through the provision of technical support in the installation, use and repair of chlorinators and through

the supply of chlorine gas or powder and aluminium sulphate to facilities in all three governorates, benefiting an estimated 367,000 people. Thirteen new chlorinators were installed for treating water distributed to an additional 10,500 people. As reported by UNICEF, an estimated 95 per cent of the population now has access to treated water, yet contamination continues in some areas because of illegal connections or corroded networks.

101. Despite increased precipitation during the winter months, the water level in the major rivers remains low. As a result, roughly 40 per cent of the compact units have stopped working in the rural areas. To alleviate the effects of drought in those areas, UNICEF and local water authorities continue to deploy 166 water tankers (51.5 per cent of the quantity ordered) under the programme to distribute potable water to an estimated 400,000 people in 504 villages and 25 urban and semi-urban settlements.

Agriculture

102. A team of United Nations experts from the agriculture Working Group carried out an assessment of the impact and adequacy of programme inputs in the rehabilitation of the veterinary cold chain in 5 veterinary hospitals and 45 district veterinary clinics in the governorates of Anbar, Ninewa, Tameem, Muthana and Thi-Qar. The results indicate that the generators, refrigerators and cold trucks provided under the programme improved the storage and transport of vaccines and heat-sensitive medicines. The trucks and generators provided are sufficient to cover the current needs of the surveyed hospitals and clinics, while the refrigerators covered only 40 per cent of their requirements.

103. Further assessment of 27 irrigation pumping stations in the governorates of Baghdad, Diyala, Salahaddin and Karbala revealed that 67 installed centrifugal water pumping sets and 37 sets used as replacements for existing obsolete pumps in those stations had raised operational capacity of the irrigation pumping station by 37 per cent. This resulted in a 30 per cent increase in water supply to farmers to cover their needs in agricultural and livestock production and in provision of guaranteed essential water supply for both the Kargolia and the 7-Nissan water treatment plants in the Baghdad governorate.

104. The distribution of seeds and pesticides by the Government of Iraq through commercial agents and the decentralization of distribution and storage at governorate warehouses for irrigation systems and harvesters that require greater space have increased the efficiency of input distribution to end-users.

105. Preliminary results from a pilot assessment of beekeeping limited to 5 of the 15 governorates, namely, Anbar, Baghdad, Diyala, Ninewa and Wasit, show an increase in the productivity of hives. The establishment of small-scale tool and equipment factories has also been reported. A large-scale survey to examine issues of pests and diseases was undertaken by the sectoral Working Group in coordination with the Ministry of Agriculture in February.

106. Effective implementation in the agriculture sector continues to be hampered by holds on applications for key components. Although a "green list" and a fast-track system of application approvals have been established pursuant to paragraph 17 of resolution 1284 (1999), the total value of applications placed on hold in the sector rose from $210 million to $463 million, an increase of 120 per cent in the total value of holds, during the period under review. These holds included essential and complementary inputs such as animal health vaccines, laboratory diagnostic equipment and supplies, wheelbarrow sprayers (with parts) and irrigation equipment. Compared with the preceding 90 days, the value of items on hold increased substantially in percentage terms for all subsectors.

107. Favourable rains in the winter facilitated the planting of winter cereal and vegetable crops, but the agriculture sector still suffers from the aftermath of two consecutive years of drought. The results of the Government's efforts to mitigate the impact of the drought would improve if applications worth $250.7 million for irrigation systems were released from hold.

108. In the three northern governorates, the training of 5,503 farmers, including rural women, and 413 agricultural staff in sustainable farming methods was undertaken. During the period under review, a total of four extension, training and research buildings were rehabilitated. A total of 1.15 million forest trees were planted, covering 2,300 hectares of degraded forest land. Some 350,000 forest seedlings were distributed to communities and individual farmers. The grape juice production line of the Harir factory is nearing 85 per cent completion, as is 75 per cent of the civil work at

the Aqrah oil processing plant. A total of 500 farms with a capacity of 6.87 million boiler chickens per batch are presently operating. Forty thousand kilograms of poultry feed were distributed to 4,000 families in 275 villages.

Electricity

109. In my previous report (S/2000/1132) I emphasized the importance of electricity generation for the effective implementation of the humanitarian programme. The present installed power-generation capacity in the central and southern governorates of Iraq is 8,312 megawatts. The available capacity is about 48 per cent, or 3,996 megawatts. Since 31 October 2000 the installation of programme inputs has increased power generation by 72 megawatts. While this is an improvement, the supply has not been able to keep up with the increase in electricity demand. Further, the winter rains have not been sufficient to increase the power generated from the hydroelectric power plants, which, over the past three years, has been reduced by about 70 per cent.

110. Load shedding continues to leave large areas of the centre and south of Iraq without electricity for up to 18 hours per day. The situation has improved in central Baghdad, where the power outages were limited to a maximum of six hours per day during the winter months.

111. Water treatment plants, hospitals, veterinary clinics, irrigation pumps and a host of other social and economic institutions and activities depend on a continuous and reliable supply of electricity. United Nations observation findings show that a number of these essential services are being affected by power outages of up to nine hours daily. Power trippings are also causing damage to equipment, particularly in health facilities, which do not have a steady supply of electricity.

112. Holds placed on key electricity items continue to have a negative impact on the sector. As at 31 January 2001, the total value of applications placed on hold in the electricity sector amounted to $765.8 million, constituting 24.6 per cent of all applications placed on hold in all sectors of the programme as at 31 January 2001. However, the value of holds as a percentage of approvals does not provide a complete picture of the situation. Because the majority of the components approved cannot be utilized without the release of key complementary parts (such as the turbine rehabilitation contract for the Dura thermal power station, the turbine blades and accessories contract for the Mussaib thermal power station and the control, protection and metering equipment contract for the Baghdad South power station), the consequences of these holds are greater than the above-stated percentage would suggest. As stated in my previous reports, programme inputs have sustained the network and prevented it from collapsing. The large number of applications placed on hold could hamper this situation, however. Coupled with the age and deterioration of the network as a result of inadequate maintenance, the lack of spare parts and an increase in demand as a result of demographic growth have strained the power-generation facilities. I therefore reiterate my appeal to the Committee to expedite the release from hold of applications for new power generation systems, particularly contracts for the large-capacity plants such as the Baghdad East gas turbine power plant (2x125 MW) and the Dibis gas power plant (2x150 MW). The release of the holds placed on applications pertaining to new generation and rehabilitation could, over time, add as much as 50 per cent to the present power-generation capacity. This would be all the more imperative should the three northern governorates be fully reconnected to the national grid, as reconnection remains the only cost-effective and viable technical solution to meeting the electricity needs in the country over the longer term.

113. In my previous report I stated that the electricity supply situation in the three northern governorates remained critical. The situation has not improved and, in fact, has been exacerbated by a combination of factors, among them the ongoing drought, which has resulted in historically low water levels in the two dams supplying hydroelectric power, as well as the deterioration of switch-gear equipment and transformers, resulting in large power losses. Even if those problems were rectified, significant investment would still be required in order to ensure fully the operation of the network.

114. During the period under review, the two hydroelectric power stations generated on average approximately 45 to 55 megawatts, with 10 to 15 megawatts being distributed to Erbil and 35 to 40 megawatts to Sulaymaniyah, while maximum demand is estimated to be over 250 megawatts for Erbil and around 300 megawatts for Sulaymaniyah. In Dahuk, which is connected to the national grid, power supplied

averaged 13 to 18 megawatts, while average demand is estimated at over 100 megawatts. To avoid a possible humanitarian crisis next summer, work continues on the three newly installed 29-megawatt generators that will provide power for essential humanitarian facilities such as hospitals and water pumping stations. The programme is also examining additional short-term options that, in consultation with all concerned, might be feasible and appropriate to address basic emergency needs.

115. Intensive study and discussions with the local authorities on the reconnection of the three northern governorates to the national electricity grid are under way. However, such reconnection would require an overall increase in power generation in the central and southern governorates of Iraq. The Security Council will be kept informed of the outcome of the study as well as the discussions, both with the local authorities in the three northern governorates and with the authorities in Baghdad.

Education

116. With little or no maintenance over the past years, most school buildings around the country have deteriorated. In a sample of 382 primary and 129 secondary schools visited by United Nations observers, 90 per cent and 75 per cent respectively were considered to be in such a poor state that they failed to provide a safe teaching and learning environment for students and teachers. According to United Nations observation reports, there are large numbers of schools with cracked and humid walls, leaking ceilings, broken doors and windows and without even basic electrical wiring. They have also noticed severe shortages of basic supplies, classroom furniture, textbooks and teaching aids. An area of special concern is the health hazard that many schoolchildren are exposed to owing to the absence of appropriate sanitation facilities. Basic rehabilitation materials such as water pipes, lighting, electrical wiring, plumbing supplies, ceiling fans and sinks have been distributed to primary and secondary schools. Although the rehabilitation materials were distributed promptly to end-users, the quantities were inadequate and the impact, therefore, minimal. In addition, the rate of utilization is very low owing to the shortage of funds to pay for services. Indeed, without an urgent and substantial input of local funds, it is difficult to see how any meaningful progress can be made in this dire situation.

117. Restoring the production capacity at the Ministry of Education's main printing facility is a matter of priority. At present, $2.9 million worth of spare parts destined to rehabilitate printing press number 1 have not been utilized. Delays in the rehabilitation process were due to the lack of local expertise and funds necessary to hire international technicians to fit the spare parts. Data from United Nations field observers and from the directorates of education indicate that 50 per cent of the textbooks distributed continue to be second-hand; the remaining 50 per cent are printed outside of Iraq.

118. The distribution of school desks continued during the reporting period. In an effort to meet the production target of 2 million school desks, the Ministry of Education has entered into contractual agreements with three school desk manufacturers. As at the end of the reporting period, only 36 per cent of the needs of the 511 primary and secondary schools visited had been met.

119. The distribution of 140 trucks and other vehicles has improved the delivery of educational materials throughout the governorates in the centre and south of Iraq. The transport equipment distributed thus far covers 30 per cent of the total needs.

120. United Nations observers carried out a comprehensive assessment of the impact on secondary education of computers provided under the programme. Over 87 per cent of the computers were observed, out of which 92 per cent were reported to be in use for instructional purposes. The remainder were handed over to the various directorates of education for administrative and training purposes. While the computers were a welcome incentive to the institutions that received them, there was widespread dissatisfaction with both the quantity and the quality of the computers. The specification of the computers was very low (486-DX), and only 8 per cent of them had multimedia capability (CD-ROM), rendering them virtually ineffective in an educational setting. Given the limited number of computers available in the schools that received them and the large class sizes, the average computer to student ratio was 1 to 7, which is inadequate from a pedagogical perspective. Considering the large number of secondary schools in the centre and south of Iraq, approximately 3,300, as opposed to the small number of computers received, 1,411, there continue to be large outstanding computer requirements. The continuing holds on applications for

computers in the education sector will have serious consequences for the development of human resources and the exposure of Iraqi children to improved technological education.

121. Colleges and institutes of higher education received dental equipment and universal testing machines. United Nations observers verified the prompt and satisfactory installation of all the dental equipment received. Although all the universal testing machines received were distributed, none of them had been used owing to the failure of the supplier to provide manuals and training; the shortage of specialized technicians to install and operate the equipment; and the lack of suitable space to guarantee proper operation.

122. In the three northern governorates, UNICEF and the United Nations Educational, Scientific and Cultural Organization (UNESCO) continued to provide consumable supplies and to rehabilitate educational facilities. Several professional development seminars were also conducted in connection with the education management information system project. Action is also being taken by UNESCO to rectify the remaining technical problems at the Sulaymaniyah chalk factory, including preparatory works for the installation of specialized equipment procured under phase VIII.

Telecommunications

123. In my previous report I drew the Council's attention to the deplorable state of telecommunications services throughout Iraq and the large number of holds placed on applications for contracts. The steady deterioration in the quality of telecommunications services has continued because of the lack of spare and replacement parts. An example of this is the international exchange operating in Baghdad. Two exchanges were operating before 1991. At present, however, the units have been cannibalized, and only one exchange is in operation, the capacity of which is totally inadequate. The overall quality of telecommunications services is poor and requires immediate upgrading, but many applications for key components are on hold. The total value of applications placed on hold for this project alone is $192 million, and the total value of holds placed on applications submitted under the sector is $474 million.

124. To keep the telecommunications system functioning in key areas of the humanitarian programme, equipment used in low-traffic areas is being used as spares. Intra-city calls are unreliable. Inter-city and international calls are even more difficult, and the overall quality is poor when a call is successfully connected. Although the Iraqi telecommunications and postal company has ordered equipment for its telecommunication network, applications for items ordered under phases V, VI, VII and VIII have all been placed on hold. Any immediate improvement in the sector is dependent on the release from hold of those applications. A presentation by the International Telecommunication Union (ITU) before the Committee will be made to update it on the condition of telecommunications infrastructure in Iraq. I appeal to the Committee to take positive action with regard to the applications submitted and to review further the holds placed on all applications.

125. The telecom sector Working Group has prepared an extensive observation mechanism to assess the status of telecom services in the various health facilities in the governorates of the centre and south and to ascertain the anticipated needs of those facilities in the telecommunications area. This will help facilitate better implementation of the ongoing humanitarian programme.

126. In the three northern governorates, ITU has planned the installation and commissioning of three telephone exchanges. The evaluation of offers for supplies received from the vendors is in progress.

Housing

127. With a cumulative allocation of $1.34 billion, the housing sector, which was included in the distribution plan in June 2000, has grown to become one of the largest sectors of programme. The recommendations of the joint technical review on housing and construction in Iraq under the programme, as well as the United Nations observation plan for the sector, were presented to the Committee early in November 2000.

128. United Nations teams have made significant progress in observing the distribution of $2.6 million worth of building materials to the warehouses of the governorates of the centre and south of Iraq, which they reported has been effective. There was good cooperation by the Government of Iraq in facilitating those observations. I am hopeful that this degree of cooperation will continue, that it will enable United Nations observers to satisfy the information needs of

the Committee in this sector and that it will reassure Committee members that the distribution of building materials to the warehouses of the various governorates has been effective and that the materials will be used for the purposes for which they were authorized.

129. The Government of Iraq is making significant efforts to improve the housing situation in the country by earmarking 300,000 plots of serviced land for distribution, of which 11,000 have already been distributed. The Government has adopted the policy and practice of heavily subsidizing imported building materials. With the rehabilitation of the local building materials industry, it is projected to provide local inputs for housing construction. The Estate Bank is planning to offer loans at reduced rates of interest to cater to housing needs. As a result of these policies, the pace of activity in the housing sector has increased considerably, with the number of building permits granted for new construction, renovation or expansion of existing houses increasing from less than 2,000 in 1996 to more than 25,000 in January 2001.

130. Responding to a long-standing tradition of self-help in construction management, the Government of Iraq promulgated two new laws in 2000 (law 61 on the ownership of flats and law 56 on rental housing) that encourage ownership of apartments and the construction of rental housing. The Ministry of Housing and Construction sponsored an architectural contest for low-cost housing designs and will make the plans available free of charge to beneficiaries.

131. The United Nations observation findings further indicate that the criteria for distributing construction materials to the governorates, initially based on the relative share of the population, have been adjusted to reflect the varying levels of demand among governorates. The Government of Iraq has now altered the previous policy and now bases the distribution on effective demand to satisfy the number of applications received. Effective demand in some of the governorates observed is low. The current government policy of subsidizing prices of construction materials by more than 55 per cent is therefore aimed at addressing this inequality by making the materials more affordable for lower income households.

132. The first round of spot checks by United Nations observers started during the period under review. Therefore, providing an assessment of adequacy or equitability at this stage would be premature. The inadequacy of the local component to support the use of building materials would become more apparent as more materials arrived. Although the availability of loans may benefit many end-users, a greater level of local resources is still necessary to make a significant impact on housing conditions in the country.

133. An obstacle in the efficient distribution of construction materials is the lack of handling and storing equipment such as cranes, trucks and forklifts. The existing equipment is old and requires frequent maintenance and spare parts. Delays in distribution occur as a result. The inadequacy of covered storage facilities is also a concern. In spite of these constraints, the distribution of construction materials to the governorates has been observed to be efficient.

134. Recognizing the efforts that the Government of Iraq has invested on improving the housing situation in the country and, without minimizing the serious difficulties that must be confronted, such as unavailability of funds for the local component, I would like to further encourage the Government to speed up the elaboration of an allocation plan for the construction sector.

Settlement rehabilitation

135. The United Nations Centre for Human Settlements (Habitat) continued to construct shelters and associated facilities in the three northern governorates. The initial report of the survey of internally displaced persons has been finalized, and work is about to begin on a second stage, consisting of more in-depth interviews. The preliminary findings are that, while conditions vary considerably, about 40 per cent of internally displaced persons live in settlements with standards of water and electricity supplies, sanitation, drainage and road access that are below average for the area. Most internally displaced persons have, on the other hand, acceptable access to the food basket, education and, in most cases, health care.

136. So far, about 8,000 new houses have been constructed since the start of the programme. The number of additional houses planned to be built across all three governorates is estimated at about 26,000. These figures are too low in comparison with the high estimated number of internally displaced persons in the area. In that regard, the results of the Habitat surveys will be used in devising, through improved planning and coordination in cooperation with all concerned, an

accelerated resettlement strategy that addresses more precisely the particular needs of the various categories of beneficiaries within viable communities. The strengthening of local sustainability, the availability of building materials and the maximization of local construction industry output are also factors in this programme. In meeting these objectives, Habitat has identified and initiated a number of organizational and procedural adjustments that will facilitate the implementation of this programme.

137. A total of 150 families, previously living in most deplorable conditions at a temporary camp at Kani Shaitan in the governorate of Sulaymaniyah, have since December been moved to new houses constructed by Habitat in nearby Chamchamal. Habitat is planning to construct additional houses in Chamchamal for priority allocation to the approximately 50 families remaining in Kani Shaitan. Local authorities have demolished the camp and are planning to close off the area completely once the remaining eligible families have been housed in Chamchamal town. During the reporting period, there was no record of new arrivals to Kani Shaitan.

138. Since my previous report, the United Nations Office for Project Services (UNOPS) has taken over from the United Nations Office of the Humanitarian Coordinator for Iraq the responsibility for procuring emergency relief items such as tents, blankets, heaters and stoves to support internally displaced persons. The procurement and distribution of winter relief items, with the exception of tents meeting the required specifications, which are not available locally, should be completed by the end of February 2001 through a coordinated effort by the United Nations Office of the Humanitarian Coordinator for Iraq and UNOPS. Summer relief items are now under procurement by UNOPS, which is also in the process of setting up a distribution network for summer relief items. At the beginning of April, UNOPS will conduct an assessment of emergency needs for those living in camps and "hard" shelters in order to ensure that appropriate and adequate relief items are provided.

Mine action

139. UNOPS continued its mine removal and victim support activities. Mine-awareness activities have been conducted in 35 villages in the Erbil and Dahuk governorates by newly developed national teams in an effort to decrease accidents due to landmines and unexploded ordnance. Provided that visas, import permits and explosives are forthcoming from the Government of Iraq, UNOPS is ready to incorporate mechanical mine clearance into its programme and to establish additional survey and demining teams. These initiatives will expand the rate of overall mine clearance and will also provide the additional resources to clear electricity transmission lines in anticipation of the earliest possible reconnection of the three northern governorates to the national grid.

140. Since the beginning of the programme, a total of 5.2 million square metres of land has been cleared, of which about 4 million square metres has been returned to agricultural use. Clearance rates have doubled since August 2000 (from 200,000 square metres per month to 400,000 square meters per month), and they can be expected to double again by the coming spring, as more dogs and mechanical equipment are introduced.

Special allocation pursuant to paragraph 12 of Security Council resolution 1330 (2000)

141. In paragraph 12 of its resolution 1330 (2000), the Security Council, inter alia, decided that the effective deduction rate of the funds deposited in the escrow account established by its resolution 986 (1995) to be transferred to the Compensation Fund in the 180-day period should be 25 per cent. The Council further decided that the additional funds resulting from that decision would be deposited into the account established under paragraph 8 (a) of resolution 986 (1995) to be used for strictly humanitarian projects to address the needs of the most vulnerable groups in Iraq, as referred to in paragraph 126 of my report of 29 November 2000 (S/2000/1132).

142. As indicated in my letter dated 13 February 2001, part 10 of the distribution plan for phase IX makes provision for a special allocation of $387 million, which is intended to support lasting infrastructural assets and service delivery for the continuing benefit of needy groups through projects implemented in the health, housing, and water and sanitation sectors. The Government of Iraq has stated, in the distribution plan, its intention to carry out project activities in the above sectors in geographical areas of the country most in need. Of the special allocation, $110 million is allotted for the rehabilitation of medical facilities providing services to the disabled and other special cases, and a similar amount will be spent on housing in low-income areas. The remainder will be spent on water and

sanitation projects to provide water-treatment plants and sewage projects in areas in critical need.

143. In addition to the above, the Government of Iraq has informed the United Nations that it has been providing assistance to particularly needy segments of the population through the Ministry of Labour and Social Affairs, outside the arrangements established in accordance with resolution 986 (1995). These groups include widows, orphans, the elderly and the disabled, among others. The United Nations and the Government of Iraq are continuing discussions on the assistance programmes to be provided under the special allocation, with a view to gaining a better understanding of the target groups being supported and the process for meeting their needs. In this context, I should also like to draw attention to the emergence of yet another vulnerable group, namely street children, who need special assistance.

144. In order to provide effective assistance to such needy groups, funds are urgently required to support income generation programmes, to rehabilitate orphanages and homes for the elderly and to provide basic social welfare services to those most in need. I appeal to the Government of Iraq to continue to work with the United Nations towards finding an appropriate mechanism through which cash resources can be provided to support programme activities in Iraq carried out under the terms of resolution 986 (1995).

B. Cross-sectoral considerations

145. In the three northern governorates the Planning and Coordination Unit established within the United Nations Office of the Humanitarian Coordinator for Iraq (north) in early January has started work on a number of projects. These include a more formalized process for inter-agency information-sharing and the upgrading of planning data; assisting Habitat in planning the accelerated construction of shelters for the most needy and enhancing the viability of resettlement sites; and identifying and assessing (primarily through consultations with United Nations agencies and programmes) cross-sectoral issues, such as drought and gender, that may require attention. Additionally, the previously mentioned transfer of responsibility for the procurement of emergency relief items from the United Nations Office of the Humanitarian Coordinator for Iraq (north) to UNOPS has also enabled the Office of the Humanitarian Coordinator to concentrate exclusively on its primary coordination functions.

146. Furthermore, the Office of the Humanitarian Coordinator and the United Nations agencies and programmes continue to implement the recommendations of the inter-agency meeting convened at Headquarters by the Deputy Secretary-General at Headquarters in October. Initial emphasis is being placed by United Nations agencies and programmes on the conduct of independent sectoral evaluations and the strengthening of integrated planning and enhanced implementation and monitoring capacity at the sectoral level. A comprehensive programme framework is being developed by the Office of the Humanitarian Coordinator, based on close consultations with United Nations agencies and programmes, for the judicious use of the monies in the ESC (13 per cent) account.

Drought contingency

147. Despite increased precipitation in recent months, a third summer of drought is expected. The water level in major rivers is still low. Consequently, irrigated agriculture and livestock production may still face water supply shortages and frequent power outages. An adequate number of transformers and generating sets and the lifting of holds on applications for on-farm irrigation systems (sprinklers), deep-well pumps and water-drilling rigs are essential to improve the situation.

148. In the three northern governorates the United Nations Inter-Agency Working Group released its Drought Intervention Report (May to November 2000) in November 2000. The Working Group is now implementing recommendations for improved coordination, greater consultation with local authorities and timely delivery of commodities. Further, UNICEF and the Food and Agriculture Organization of the United Nations (FAO) undertook to identify and report on drought intervention requirements on a village basis in February. Issues related to water resource management and drilling, rationalization of water delivery and electricity supply, and financing were addressed.

149. FAO, WHO, the United Nations Development Programme (UNDP), UNICEF and WFP continue to deliver water, install electricity generators, provide fodder and other agricultural inputs and conduct public

health and food security activities under the drought emergency response programme in the three northern governorates. For example, FAO hired water tankers to supply water for irrigation and livestock to 929 drought-affected villages through December 2000. By the end of December, 42 deep wells had been drilled and work had begun to clean up 34 other water sources to provide permanent sources of water for the affected areas.

Gender issues

150. Following consultations with the United Nations agencies and programmes in December 2000, the Office of the Iraq Programme is undertaking a gender assessment of the programme in the three northern governorates in March 2001. The assessment will identify key issues as well as achievements, limitations and constraints in the programme; develop practical strategies to address gender disparities and identify programme gaps more effectively; and formulate ways of enhancing existing women-specific and/or gender-mainstreaming interventions in a given environment.

C. Provision of visas to United Nations personnel involved in the implementation of the programme

151. The increased scale and complexity of the inter-agency humanitarian programme in the three northern governorates, the technical and commercial constraints inherent to turnkey projects and the strengthening of management functions are reflected in the number of entry visas requested by the United Nations agencies and programmes from the Government of Iraq. The Government has raised a number of concerns and queries, particularly over the number of requests and the exclusive recruitment of international experts for the programme. This has resulted in considerable delays in the issuance of visas, except those for United Nations observers. The delay in the issuance of those visas is not only beginning to have serious repercussions in the effective implementation of programme activities, but is also having considerable commercial and financial implications. In view of the fact that several of the United Nations agencies and programmes concerned are expected to sign large-scale contracts with international suppliers in the near future, and some in fact have already been signed, the inordinate delays in the issuance of visas present a very serious problem in terms of the credibility of the United Nations agencies and programmes in particular and the United Nations in general.

152. The United Nations and the Government of Iraq are presently in consultations in an effort to resolve these difficulties in a timely and pragmatic manner that is in full compliance with relevant Security Council resolutions and the relevant provisions of the memorandum of understanding signed by the United Nations Secretariat and the Government of Iraq (S/1996/356).

IV. Conclusions and recommendations

153. The present report reflects both the positive achievements in meeting the humanitarian objectives of Security Council resolution 986 (1995) and the constraints and difficulties experienced in the effective implementation of the programme. Indeed, over the past four years, the programme has contributed to arresting the decline in, and in some areas to improving, the living conditions of the average Iraqi.

154. These achievements, nonetheless, should not lead us into complacency. It should be borne in mind that the programme was never meant to meet all the needs of the Iraqi people and cannot be a substitute for normal economic activity in Iraq. As long as sanctions are in place, there is no alternative to the programme in providing for the humanitarian needs of the Iraqi people. Although the programme is being implemented within the context of a sanctions regime, it is essential for all parties concerned, now more than ever, to depoliticize and facilitate the implementation of the programme in order to alleviate the continued suffering of the Iraqi people. The Iraqi people must receive all the assistance that they direly need and deserve.

155. Iraq has been authorized to export unlimited amounts of oil and to import a wide range of goods to meet the humanitarian needs of its population and to rehabilitate its civilian infrastructure. With increased revenues now available for the implementation of the programme, the Government of Iraq is indeed in a position to reduce current malnutrition levels and improve the health status of the Iraqi people.

156. It is noted that in the distribution plan for phase IX (S/2001/134), in addition to the $6 million allocated for the targeted nutrition programme, there are a number of allocations made for certain items, such as

vehicles, warehousing and other infrastructure and supplies under different sectors, which have a direct bearing on the implementation of the programme. Nevertheless, I am concerned that neither the financial allocation, nor the range of items related to infrastructure, are commensurate with the scale of the existing programme and the need for its expansion to ensure that it reaches the full caseload. In view of the grave concerns expressed by all parties, including the Government of Iraq, regarding the nutritional status of children, I recommend that the Government of Iraq clarify how the limited resources allocated in the distribution plan for phase IX would satisfy its own objectives to improve the nutritional status of children.

157. I am also very much concerned that the $5.556 billion required for the implementation of the approved distribution plan for phase IX (S/2001/134) may not be available owing to the substantial drop in the oil exports from Iraq under the programme since December 2000. By 31 January 2001, Iraq had already lost about 2 billion euros in revenue. Given its proven capacity, I urge the Government of Iraq to increase its daily average rate of oil exports under the programme to at least the levels in the previous phase.

158. In my previous report I noted that the absence of an appropriate cash component had increasingly hampered the implementation of the programme and, as such, I requested the Executive Director of the Iraq Programme, together with the United Nations Humanitarian Coordinator for Iraq, to further intensify their efforts to find an appropriate mechanism acceptable to all, in order to respond to the request made in paragraph 24 of resolution 1284 (1999). In this regard, I am pleased to announce that an expert mission will be visiting Iraq in March 2000, concerning arrangements for the utilization of 600 million euros for the oil sector, pursuant to paragraph 15 of resolution 1330 (2000). It is my sincere hope that this mission will be able to formulate modalities acceptable to all parties concerned to support the use of cash in meeting programme requirements. Given the pressing need for a cash component in the humanitarian sectors of the programme, it is hoped that similar modalities could also be extended to support activities in those sectors.

159. I am pleased to say that the Office of the Iraq Programme has taken all the necessary steps to implement the relevant recommendations of the Council as well as the procedures and decisions of the Committee. I very much regret to note, however, the slow pace of implementation of paragraph 13 of resolution 1330 (2000), in which the Council urged the Committee to review applications in an expeditious manner, to decrease the level of applications on hold and to improve the approval process of applications.

160. With the satisfactory record in the implementation of paragraph 17 of resolution 1284 (1999), whereby the Secretariat has been "notifying" applications, without reference to the Committee, I should like to reiterate my recommendation that those provisions be applied also to the remaining sectors of the distribution plan. Furthermore, I should like to recommend that the already approved lists of items (the green lists) relating to different sectors, should be expanded to include all items, with the exception of those covered under resolution 1051 (1996).

161. I should like to draw the attention of the Government of Iraq to section VIII of the memorandum of understanding (S/1996/356), concerning privileges and immunities, in particular to paragraph 46 thereof, whereby United Nations officials, experts and other personnel performing contractual services for the United Nations shall have the right of unimpeded entry into and exit from Iraq and shall be issued visas by the Iraqi authorities promptly and free of charge. I am very much concerned that recently there have been inordinate delays in the issuance of visas to United Nations personnel during the period under review. Such delays have been adversely affecting the effective implementation of the programme, particularly in the three northern governorates where the United Nations implements the programme on behalf of the Government of Iraq, and have also resulted in considerable financial losses while personnel wait for their visas to enter Iraq. While welcoming the recent discussions held on the subject between the Government of Iraq, the United Nations Office of the Humanitarian Coordinator for Iraq and United Nations agencies and programmes, I call upon the Government of Iraq to issue the necessary visas in conformity with the letter and spirit of the relevant provisions of the memorandum of understanding.

162. I welcome the confirmation by the Government of Iraq, in paragraph 18 of the distribution plan (see S/2001/134, annex III), of its willingness to cooperate fully with the programme and to allow it to observe throughout the country the equitable distribution of humanitarian supplies imported under the distribution

plan. I also welcome the Government's confirmation that United Nations personnel will enjoy unrestricted movement in connection with the performance of their functions pursuant to paragraph 44 of the memorandum of understanding.

163. It is essential that United Nations observers and oil-spare-parts monitors enjoy unrestricted movement throughout Iraq in order to fulfil their responsibilities in carrying out observation and monitoring of all supplies delivered to Iraq under the programme, in particular, supplies that have been approved or released from hold by the Committee, with the specific requirement of end-use or user observation, monitoring and reporting.

164. I should like to appeal to the Committee to review and approve applications in an expeditious manner and to decrease drastically the level of applications placed on hold.

165. In connection with the tragic event that took place in June 2000 within the premises of the FAO office in Baghdad, where two staff members were killed and eight persons were injured, including four United Nations staff members, I wish to inform the Council that a criminal court in Baghdad is currently considering the case. The United Nations representatives are present during the court proceedings, which are continuing. It may be recalled that in paragraph 20 of its resolution 1330 (2000), the Council called upon the Government of Iraq to complete its investigation into the death of the employees of FAO and forward it to the Council. I regret that a copy of the report on the Government's investigation has not yet been provided to me, as promised.

166. I welcome the additional security measures taken by the Government of Iraq, in consultation with the United Nations, for the safety and security of United Nations personnel in Iraq. I wish to express my concern, however, over the manner in which the trial has been publicized in the Iraqi media, which may affect adversely the safety and security of United Nations personnel in Iraq.

167. The long process of preparing the distribution plan for phase IX, and its submission by the Government of Iraq almost two months into the current phase, underscores again the need to streamline the planning process of the programme. As stated in my previous report (S/2000/1132), with the increased funding for the humanitarian component of the programme, the time has come to review the validity of applying procedures and practices, originally designed to cover food and medicine, to a vastly more expanded and more complex array of activities and equipment. It is essential not only to improve the process of the preparation and timely submission of the plan, but also to prepare a more targeted and result-oriented plan, with a clear statement of objectives to be achieved during a given phase, including benchmarks, which would improve the evaluation of the performance, achievements and effectiveness of the programme. In this context, I am pleased to note that a project approach, with a clear indication of targets and performance indicators has been adopted for the implementation of the programme by the United Nations agencies and programmes in the three northern governorates. Accordingly, I have requested the Executive Director of the Iraq Programme to initiate discussions with the Government of Iraq on the process of preparing the distribution plan.

168. In conclusion, I appeal to all parties to take concerted measures to alleviate the plight of the Iraqi people.

Annex I

Allocation of total oil revenue among the various funds and corresponding expenditures, as at 31 January 2001

1. As at 31 January 2001, 355.3 million euros had been deposited into the account for phase IX as authorized under Council resolution 1330 (2000), bringing the total value of oil sales since inception to $37,333.9 million and 1,934.9 million euros.

2. The allocation of total oil proceeds received from inception to date and the corresponding expenditures as at 31 January 2001 are as follows:

(a) The sum of $19,494.3 million and 1,063.3 million euros have been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of Council resolution 986 (1995). In addition, $730.2 million and 3.7 million euros of interest earned in these accounts were available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by the Banque Nationale de Paris on behalf of the United Nations for the payment of humanitarian supplies and oil industry spare parts for Iraq amounted to $9,763.7 million under phases I to IX;

(b) The sum of $4,929.2 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of Council resolution 986 and as revised in paragraph 2 of Council resolution 1153 (1998). Expenditures recorded for humanitarian goods approved by the Security Council Committee amounted to $2,179.1 million;

(c) The sum of $11,674.4 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of Council resolution 986 (1995). As at 31 January 2001, a total of $224.9 million had been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2001, and an amount of $10,737.1 million had been allotted for payment of various instalments of "A", "C", "D", "E" and "F" claims;

(d) The sum of $787.8 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of Council resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for the administrative costs for all United Nations entities involved in implementing the resolution amounted to $454.1 million;

(e) The sum of $284.7 million has been allocated for the operating expenses of the United Nation Special Commission for the Disarmament of Iraq and its successor, the United Nations Monitoring, Verification and Inspection Commission, established by Council resolution 1284 (1999), as specified in paragraph 8 (e) of Council resolution 986 (1995). Expenditures for the Commission amounted to $86.9 million;

(f) The sum of $831.8 million has been set aside for the cost of transporting petroleum and petroleum products originating in Iraq and exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of Council resolution 986 (1995) and in line with procedures adopted by the Security Council Committee. Of that amount, $779.4 million has been paid to the Government of Turkey;

(g) The sum of $119.5 million has been transferred directly to the escrow account established pursuant to Council resolutions 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of Council resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of Council resolution 986 (1995) and subsequently in paragraph 34 of my report dated 1 February 1996 (S/1996/978). The total repayments made amounted to $119.5 million. Transfers to this account had been suspended pursuant to paragraph 20 of Council resolution 1284 (1999) of 17 December 1999. However, pursuant to paragraph 7 of Council resolution 1330 (2000), the transfer of $10 million every 90 days to the account will resume as at the end of the first 90 days of phase IX.

Annex II

Oil proceeds and humanitarian supply letters of credit, as at 31 January 2001

Oil proceeds

(United States dollars)

Phase	*Last deposit*	*No. of letters of credit opened*	*Value of letters of credit from oil sales (United States dollars)*
I	27 June 1997	123	2 149 806 395.99
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII	10 July 2000	353	8 301 861 931.46
VIII	5 December 2000	307	8 296 257 148.06
Total		**2 064**	**37 333 886 478.06**

Oil proceeds

(Euros)

Phase	*Last deposit*	*No. of letters of credit opened*	*Value of letters of credit from oil sales (euros)*
VIII	29 December 2000	61	1 579 611 932.15
IX	As at 31 January 2001	12	355 336 130.70
Total		**73**	**1 934 948 062.85**

Humanitarian supply letters of credit for ESB (53%) account and bulk procurement

Phase		*No. of letters of credit opened*	*Value of letters of credit opened (United States dollars)*	*Bank payments made on delivery (United States dollars)*
I		870	1 229 078 786.79	1 208 649 262.88
II		538	1 193 975 676.69	1 179 368 956.19
III		671	1 210 241 009.07	1 179 286 982.40
IV.	Humanitarian supplies	706	1 590 478 309.43	1 484 328 641.92
IV.	Oil spare parts	477	273 054 291.28	227 214 799.80
V.	Humanitarian supplies	1 037	1 841 427 802.29	1 465 841 622.88
V.	Oil spare parts	504	264 834 186.38	144 608 059.72
VI.	Humanitarian supplies	1 525	3 118 831 141.54	1 435 874 174.39
VI	Oil spare parts	823	446 496 396.11	113 166 799.04
VII	Humanitarian supplies	1 908	3 398 635 056.10	1 118 273 552.27
VII	Oil spare parts	606	298 378 953.60	9 087 533.17
VIII	Humanitarian supplies	731	2 250 792 583.85	198 004 290.38
VIII	Oil spare parts	1	24 679.75	-
	Total	**10 397**	**17 116 248 872.88**	**9 763 704 675.04**

Annex III

Distribution of United Nations observers

Sector	*Agency*	*No. of observers*	***Subtotal***	*UNOHCI*	*No. of observers*	***Subtotal***	***Total***
Food	WFP	13	**13**	MDOU	1	**5**	**18**
				GOU	4		
Agriculture	FAO	13	**13**	MDOU	4	**15**	**28**
				GOU	11		
Health	WHO	12	**12**	MDOU	5	**12**	**24**
				GOU	7		
Education	UNESCO	6	**8**	MDOU	2	**9**	**17**
	UNICEF	2		GOU	7		
Electricity	UNDP	6	**6**	MDOU	2	**8**	**14**
				GOU	6		
Nutrition	UNICEF	3	**4**	MDOU	2	**5**	**9**
	WHO	1		GOU	3		
Water/sanitation	UNICEF	5	**5**	MDOU	2	**7**	**12**
				GOU	5		
Transport/food handling	WFP	10	**10**	MDOU	1	**4**	**14**
				GOU	3		
Housing	Habitat	6	**6**	MDOU	2	**8**	**14**
				GOU	6		
Telecommunications	ITU	5	**5**	MDOU	1	**3**	**8**
				GOU	2		
Total			**82**			**76**	**158**

Abbreviations: FAO, Food and Agriculture Organization of the United Nations; GOU, geographical observation unit; Habitat, United Nations Centre for Human Settlements (Habitat); ITU, International Telecommunication Union; MDOU, multidisciplinary observation unit; UNDP, United Nations Development Programme; UNESCO, United Nations Educational, Scientific and Cultural Organization; UNICEF, United Nations Children's Fund; UNOHCI, United Nations Office of the Humanitarian Coordinator for Iraq; WFP, World Food Programme; WHO, World Health Organization.